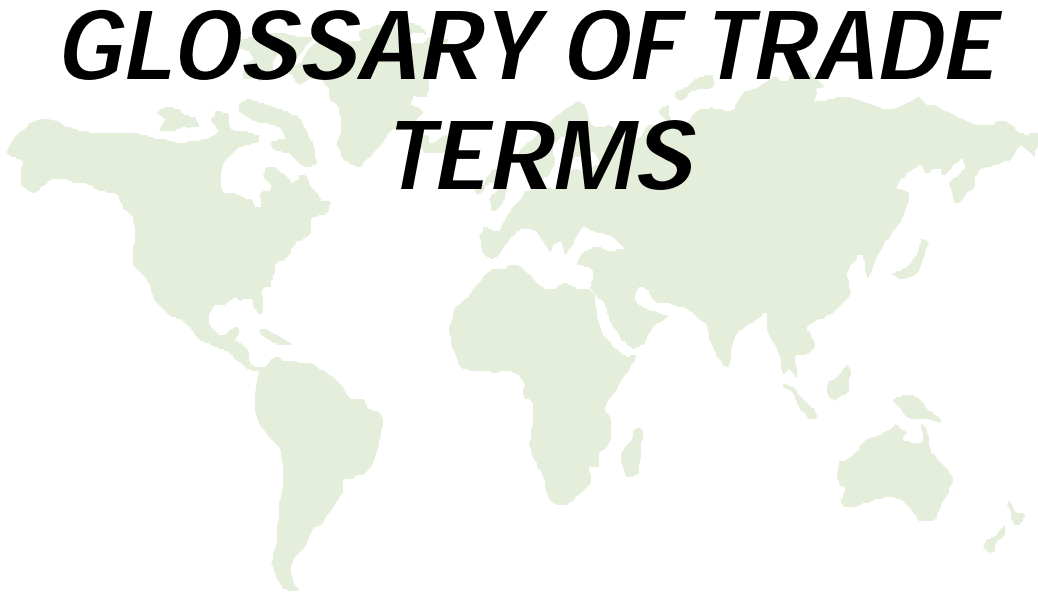


IDAHO AGRICULTURE TRADE ISSUES

GLOSSARY OF TRADE TERMS



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Marketing Idaho Food and Agriculture
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INTRODUCTION

The Trade Issues Workgroup was formed in February 1999 to address trade barriers for Idaho agriculture. The Workgroup examines sanitary and phytosanitary procedures (SPS), tariffs, quotas, animal health requirements and other trade barriers.

The workgroup is a partnership between Idaho State Department of Agriculture's Divisions of International Trade and Domestic Market Development, Plant Industries, and Animal Industries. Other key partners are Boise USDA APHIS Office, Idaho commodity commissions and the related associations, and the Idaho exporting community.

Current trade issues identified by industry as priority issues are listed in the bi-annual publication, **Idaho Agriculture Trade Issues Report (IATIR)**. The Glossary of Trade Terms has been placed on the ISDA website for reference when needed.

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APHIS (Animal and Plant Health Inspection Service) A branch of the USDA, regulates plants, domestic animals, and plant and animal products coming into the US.

Bound Tariffs Rates, Tariff "binding" Tariff rates resulting from GATT/WTO negotiations or accessions, incorporated as part of a country's concessions schedule. Bound rates are enforceable under Article II of GATT. If a WTO member raises a tariff above the bound rate, the affected countries have the right to retaliate against an equivalent value of the offending country's exports or receive compensation, usually in the form of reduced tariffs on other products they export to the offending country.

CIF A standard trading term that includes cost, insurance and freight.

Codex Alimentarius The Codex Alimentarius Commission, based in Rome, is a subsidiary of the Food and Agriculture Organization of the United Nations (FAO) and the World Health Organization (WHO). The SPS agreement designates Codex as the authority for international food safety evaluation and harmonization matters. Codex develops scientific methodologies, concepts and standards to be used worldwide for food additives, microbiological contaminants, veterinary drug and pesticide residues.

Countervailing Duty A special duty imposed on imports to offset the benefits of subsidies to producers or exporters in the exporting country.

Decoupled Payments to farmers that are not linked to current production decisions. When payments are decoupled, farmers make production decisions based on expected market returns.

Duty Tax imposed by a government on goods imported or exported.

Export Subsidies Special incentives, such as cash payments, extended by governments to encourage increased foreign sales; often used when a nation's domestic price for a good is artificially raised above world market prices.

GATT General Agreement on Tariffs and Trade. GATT was founded in 1948. Eight rounds of trade negotiations were completed under GATT. GATT was replaced by the World Trade Organization (WTO) on January 1, 1995.

Generalized System Of Preferences (GSP) A temporary, non-reciprocal grant of tariff preferences by developed countries to developing countries to encourage the expansion of manufactured and semi-manufactured exports from developing countries by making goods more competitive in developed country markets.

GMO Genetically modified organism. This is a organism made up of genes from different organisms to produce a final organism that has the desired characteristics (such as disease resistance). This differs from traditional plant breeding in that genes can be moved from one plant to another with greater precision.

Harmonization International efforts to increase the uniformity of regulations and procedures in cooperating countries.

Harmonized code. An international nomenclature developed by the World Customs Organization, which is arranged in six digit codes allowing all participating countries to classify traded goods on a common basis. Beyond the six-digit level, countries are free to introduce national distinctions for tariffs and many other purposes.

Internal Support The Uruguay Round agreement on internal support recognized for the first time that policies of overproduction of specific commodities by individual countries played a major role in distorting world agricultural trade. It defined those policies that seriously distorted trade and those with minimal trade distorting effects using the traffic-signal colors of amber and green. Amber box policies (symbolizing "caution") are subject to reduced government support, while green boxes

(symbolizing "go") entail no reduction requirements or restrictions. Another temporary exemption category called blue box was created to accommodate the E.U. and to bring the negotiations to a conclusion.

- ◇ **Amber box** policies include price supports, marketing loans, payments based on acreage or number of livestock, input subsidies and certain subsidized loan programs.
- ◇ **Green box** policies focus on governmental programs intended to support agriculture and include many of the operations of state and federal departments of agriculture or state university research. Such policies include: research, pest and disease control, extension services, inspection, marketing and promotion, crop insurance, natural disaster relief, conservation programs, and public stockholding.
- ◇ **Blue box** policies are redefined amber box policies that are related to production-limiting programs, such as payments based on fixed area and fixed yield, fixed number of livestock or no more than 85 percent of the base level of production.

Incoterms Standard terms established by the International Chamber of Commerce which are used to define the specific responsibilities of buyers and sellers in international sales contracts. A reviewed version of the terms are set to be in force January 1, 2000.

ISO (International Organization for Standards) The ISO is a worldwide federation of national standards bodies from some 130 countries. Its mission is to promote the development of standardization and related world activities with a view to facilitating the international exchange of goods and services, and to developing cooperation in the spheres of intellectual, scientific, technological and economic activity.

Norma Oficial Mexicana (NOM) The NOM is published in the Diario Oficial with the final ruling, just as the U.S. publishes rulings in the Federal Register.

Normal Trade Relations (NTR) An agreement between two countries to extend the same trading privileges to each other that they extend to any other country. Under a NTR agreement, for example, a country will extend to another country the lowest tariff rates it applies to any third country. A country is under no obligation to extend NTR treatment to another country, unless both are members of the WTO, or unless NTR is specified in an agreement between them. (formerly MFN for Most Favored Nation)

Non-Tariff Trade Barriers Government measures other than tariffs that restrict trade flows. Examples of non-tariff barriers include quarantine restrictions, import licensing, variable levies, import quotas, and technical barriers to trade.

Organization for Economic Cooperation and Development (OECD) The Is an international organization made up of European countries, Canada and the United States that allows these governments to discuss, develop and perfect economic and social policy. They compare experiences, seek answers to common problems and work to co-ordinate domestic and international policies.

Price Pooling A price pooling system allows a State Trading Enterprise (STE – see below) greater flexibility in export pricing relative to private grain trading companies. Under the pool system, prices to producers may be averaged across grades and quality differences, time of year, and in some cases, freight charges. The degree to which pools are segmented by grade, quality, marketing period and location defines how much flexibility the STE has in pricing products for export.

Quota A specified quantitative limit of a product that can be imported from a specified country.

Reference Price The minimum import price for certain farm products under the European Community's Common Agricultural Policy. Normally based on an average of EC market or producer prices over a given period. Specifically refers to a commodity of a prescribed quality which may be supported by intervention measures.

Sanitary and Phytosanitary Measures (SPS) Sanitary and phytosanitary (SPS) measures are laws, regulations, and procedures adopted by governments to protect animal, plant, or human health. International trading rules embodied in the General Agreement on Tariffs and Trade (GATT) have always recognized the right of each country to adopt and maintain any measure deemed necessary to protect human, animal or plant health. Under the Uruguay Round Agreement on the Application of SPS measures, WTO member countries agreed to base any SPS measures on an assessment of risks posed by the import in question and to use scientific methods in assessing the risk.

SECOFI Mexico's Secretario de Comercio y Fomento Industrial or Department of Commerce and Industrial Development

State Trading Enterprise (STE) Governmental and non-governmental enterprises, including marketing boards, which have been granted exclusivity, special rights or privileges, including statutory or constitutional powers, in which they influence purchases or sales in the level or direction of imports or exports. (Understanding on the Interpretations of Article XVII of GATT 1994).

Subsidy An economic benefit granted by a government to producers, often to strengthen their competitive advantage. The subsidy may be direct (a cash grant) or indirect (low-interest export credits guaranteed by a government agency, for example.)

Tariff A tax imposed by a government on imports or exports. A tariff may be imposed to protect domestic industries from imported goods and or to generate revenue. A tariff may be either a fixed charge per unit of product imported (specific tariff) or a fixed percentage of value (ad valorem tariff).

Tariffication The process of converting nontariff trade barriers to bound tariffs. This was done under the Uruguay Round Agreement on Agriculture in order to improve the transparency of existing agricultural trade barriers and facilitate their proposed reduction.

Tariff-Rate Quota (TRQ) A two-tiered tariff scheme. A lower tariff applies to imported goods in a quantity below the specified quantitative (quota) amount. Any amount that is imported after this initial quota has been filled faces a significantly higher tariff rate.

Union for the Protection of New Varieties of Plants (UPOV) The International Union for the Protection of New Varieties of Plants is an intergovernmental organization with headquarters in Geneva Switzerland. UPOV was established by the International Convention for the Protection of New Varieties of Plants which was signed in Paris in 1961. The Convention was entered into force in 1968 and has been revised in 1972, 1978 and 1991. Currently there are 45 member countries.

Value Added Tax (VAT) An indirect tax on consumption that is levied at each discrete point in the chain of production and distribution, from the raw material stage to final consumption. Each processor or merchant pays a tax proportional to the amount by which he increases the value of the goods he purchases for resale after making his own contribution.

World Customs Organization (WCO) Established in 1952, the WCO is a world wide, intergovernmental organization designed to increase the effectiveness and efficiency of the customs systems worldwide.

World Trade Organization (WTO) Established on January 1, 1995, as a result of the Uruguay Round, the WTO replaces GATT as the legal and institutional foundation of the multilateral trading system of member countries. Located in Geneva, Switzerland, it provides the principal contractual obligations determining how governments frame and implement domestic trade legislation and regulations.